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**CDBG MANAGEMENT MEMORANDUM****Community Development Block Grant Program - Memorandum Number 08-09**

**Date:** November 18, 2008

**To:** Eligible Community Development Block Grant (CDBG) Jurisdictions

**SUBJECT:** QUESTIONS AND ANSWERS FROM APPLICATION TRAINING ON 2008 CDBG NOTICE OF FUNDING AVAILABILITY (NOFA) FOR THE ENTERPRISE FUND COMPONENT

**Purpose of Memo:**

This memo is to provide responses to questions asked by attendees of the application training workshops held throughout the state for the CDBG 2008 Enterprise Fund NOFA.

**Difference between documentation of Leverage verses Other Local Organizational Support:**

**Question:** Please clarify how to document "local community support" and "leverage" in the Business Assistance and Microenterprise Assistance sections of the application?

**Answer:** Please refer to the Business Assistance pages 57 and 59 and Microenterprise Assistance pages 74 and 76 of the Application Package. Applicants may submit letters of "local community" support from other organizations and they should be placed in Section 2 and 3, Item 3, Other Local Organization Support Attachments.

These letters will describe the type of support these organizations will contribute to the applicant's Enterprise Fund activities such as:

1. The organization will in "word only" support the applicant's proposed CDBG Enterprise Fund grant activity/activities by marketing the program or providing publicity on activities being conducted by the applicant; **or**
2. The organization will contribute specific "in-kind" services to the applicant's proposed CDBG Enterprise Fund grant activity/activities and no dollar-value is attached to the in-kind service.; **or**

3. The organization will contribute specific “in-kind” services with a stated cash-value or actual cash to the applicant’s proposed CDBG Enterprise Fund grant activity/activities.

Applicants should be made aware that “leverage” is considered a cash-equivalent or cash contribution as described in Item 3 above. These letters may count as “Other Organizational Support” (Item 2.4 of the Application) as well as leverage in “Commitment of Other Funding Sources” (Item 3.2 of the Application). If an Applicant wishes to have these letters counted as Other Local Organization Support and Leverage, the applicants should make sure that copies are placed in both attachment sections.

It is important that the grantee document all leverage contributions that they wish to be rated and ranked on in Item 3.2 for their Business Assistance and Microenterprise Assistance Programs. Applicants should be made aware that the leverage that is indicated in Item 3.2 will become part of grant agreement and will therefore need to be fully expended during the term of the grant.

All letters of organizational support including those for leverage must be on the organization’s letterhead with a description of the contribution (in-kind services, etc.), effective dates of contribution (within grant term), and specific dollar amount associated with the contribution if it is to be counted as leverage.

#### **Clarifications on Façade Program Design:**

Question: Can improvements in a public right of way be made?

Answer: No, only façade improvements on private property are allowed.

Question: Can American with Disabilities Act (ADA) or structural improvements be made to the inside of the building?

Answer: No, funds may be used for exterior improvements to that part of a commercial building where the primary entrance to the building is located.

#### **Documentation of Adverse Local Economic Event:**

Question: Does the application have to contain documentation of a Presidential declared disaster in order to receive points for an adverse economic event?

Answer: No, an adverse economic event is an event that directly affects the grantee’s local community by impacting the economy and resulting in job loss.

The Applicant must provide “third party” documentation that a recent adverse economic event has occurred in the community. This documentation could be in the form of local newspaper articles, declared disaster, etc. The applicant must demonstrate and quantify a clear connection associating the event and local economic issues such as job loss, business loss/closures, reduction in sales/revenues. The event must be a local event so the current national credit and banking crisis would not qualify.

### **Eligible Activity Costs for Enterprise Fund Programs:**

**Question:** Will the State CDBG program allow Enterprise Program funds to pay for “shared” support services? For example, can CDBG funds be used to pay for an accountant to provide book keeping services to a number of different businesses or microenterprise clients.

**Answer:** No, in the case of business assistance and microenterprise activities CDBG funds can only be used to provide direct assistance to an eligible individual business/TIG client. CDBG funds cannot be used to pay for an omnibus support service benefiting a number of different businesses/clients.

For example, CDBG funds can be used to pay for support services to an eligible microenterprise client, such as providing an accountant to teach book keeping. In this case the support service is based on the direct need of the microenterprise client and is of limited duration based on the time the client is participating in the grantee’s program.

### **Using “Target Area” for Either Business Assistance or Microenterprise Program Activities:**

**Question:** What is the best way to use a “target area” strategy in the application?

**Answer:** Target area activities are eligible but have not been used widely in Enterprise Fund applications. Technically the use of a target area may provide higher points in the poverty and unemployment categories but it may limit access of eligible businesses/TIG clients to the grantee’s program. For example, a grantee may be constrained by having a smaller group of potential clients to offer services based on a smaller geographical area – the target area. A grantee may receive higher points but end up not being able to make business loans because there is be a smaller pool of potential borrowers in the target area versus using the jurisdiction-wide poverty and unemployment values.

It may be advantageous for an applicant from a county to do a target area for a microenterprise assistance program as there may be a number of incorporated and unincorporated communities that could provide a sufficient number of eligible clients that could effectively use the grantee's CDBG funded services.

### **Past Performance Scoring for Past CDBG Enterprise Fund Grant Activities:**

Question: How will an applicant be scored on past performance (Item 2.1 Past Performance Forms Fiscal Year 2005, 2006 and 2007 of the Application) of CDBG Economic Development grant activities if no past ED grants have been implemented?

Answer: Applicants who have not had a past CDBG Enterprise Fund grant for the fiscal year cited will receive full points. Each fiscal year reporting period is equal to one third of the total points for this category.

### **Addendum**

Please note the following are addendum pages to the Application that are found in the attached Microsoft Word Application Package document:

1. Application Instruction and Application, Compliance With OMB Circular A-133, page 25.
2. Application Summary, Item 4 Location of Activities – U.S. Census, page 34.
3. Application, Item 1.0 Need for Program, page 47 and 63.

If you have any questions, please contact your State CDBG Economic Development Program Representative or the Program Administrative Assistant at (916) 552-9362 or via e-mail at [madams@hcd.ca.gov](mailto:madams@hcd.ca.gov).